**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Item 44 ID#3687

**ENERGY DIVISION** **RESOLUTION E-3882**

**July 8, 2004**

# R E S O L U T I O N

Resolution E-3882. Pacific Gas & Electric Company (PG&E) for approval of Adoption of Proposed Summer Demand Response Reduction Programs in Response to Assigned Commissioner's Ruling on June 4, 2004.

By Advice Letter 2523-E filed on June 14, 2004.

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## SUMMARY


**PG&E's proposed summer 2004 demand response programs are approved.**
PG&E requested authorization for two new programs for this summer:

1) E-SAVE which credits participants $0.20 per kWh for a minimum of a 20% reduction in energy; and
2) "Power Down" which is an awareness campaign to encourage customers to voluntarily reduce energy consumption during summer peak periods.

**The proposed programs can be implemented immediately.**
Both E-SAVE and "Power Down" can be implemented immediately upon Commission approval of this resolution. E-SAVE does not require a customer sign-up process and "Power Down" would be similar to the "Spare the Air" campaign.

**The proposed programs will help the potential supply shortages this summer.**
PG&E anticipates 20MW of peak reduction from the E-SAVE program.

**The costs for the proposed programs will be recovered via existing funding for demand response programs.**
The programs are anticipated to cost $2.22 m ($220,000 for E-SAVE and $2 million for "Power Down") and will be recovered via the Advanced Metering and Demand Response Account (AMDRA).

## BACKGROUND

**PG&E submitted its summer 2004 demand response programs in response to the Assigned Commissioner Ruling.**

On June 4, 2004, the Assigned Commissioner in Rulemaking (R.) 02-06-001 issued a ruling expressing concern about the possibility of supply shortages this summer and invited the utilities to submit ALs to implement programs in summer 2004 that achieve demand response through Advanced Load Control (as proposed by Southern California Edison Company (SCE)) and expansion of Smart Thermostat programs (as proposed by SCE and San Diego Gas & Electric Company).

In AL 2523-E, PG&E proposes two programs to address the Assigned Commissioner's concern of the possibility of supply shortages this summer. Both programs were proposed as part of PG&E's Plan Regarding Modifications to Demand Response Programs for 2004 and New Programs for 2005, filed on April 1, 2004 (April 1 Filing).

PG&E proposes:

- Electric Rate Schedule E-SAVE – a new demand response program called the "Voluntary Reduction Incentive Program", which is targeted to Commercial and Industrial (C&I) customers with demands over 200 kilowatt (kW). This program is based on the "No-Bid" Demand Response Program proposed in PG&E's April 1 Filing for implementation in 2005. PG&E would send notification to customers for a "next day" event when the forecast of price per kilowatt-hour (kWh) is $0.20 or more. Participation in the event is voluntary and if the customer reduces its energy usage by 20 percent over the duration of the event, the customer would receive a $0.20 credit for each kWh reduced during that time. The 20 percent reduction would be measured against the customer's 10-day baseline.

- "Power Down" – an awareness campaign to encourage customers to voluntarily reduce energy consumptions during critical summer peak periods. This program will compliment the State's "Flex Your Power" program and will be modeled after the "Spare the Air" statewide air pollution campaign to reduce peak usage during certain summer days.

## NOTICE

Notice of AL 2523-E was made by publication in the Commission's Daily Calendar. Pacific Gas and Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

## PROTESTS

PG&E's AL 2523-E was timely protested by ORA on June 24, 2004.

PG&E responded to ORA's protest on June 28, 2004.

ORA believes that the E-SAVE program should be opened to all customers on time-of-use (TOU) rate schedules, not just C&I customers. By allowing all customers on TOU rate schedules to participate, there is potential of providing greater levels of load reduction during peak hours.

ORA believes that the Independent System Operator (ISO) should be used as the source for the forecasted Day-Ahead hourly market price and disagrees that PG&E can declare a next day event on its own.

Also, ORA is concerned with the cost-effectiveness of the program if customers on E-SAVE are credited a flat $0.20 per kWh for eligible load reduction.

Lastly, ORA recommends that customers on interruptible programs and those on California Alternate Rates for Energy (CARE) should be excluded from the E-SAVE program.

In its response, PG&E clarifies why the E-SAVE program is proposed for C&I customers only. Recognizing the desire to move expeditiously, PG&E considered the technical feasibility of implementing E-SAVE for various customer classes. PG&E states in its response "to measure and bill these program parameters appropriately, an interval meter is needed." Notification to customers of the next day event depends on the communications system associated with interval meters. Regular TOU meters cannot provide the required information to determine the load reduction required in calculating the billing credit. In order to provide timely implementation of the E-SAVE program i.e. for the summer of 2004, PG&E has proposed offering E-SAVE to C&I customers only.

PG&E proposes to use its existing price forecasting capabilities, currently used in the DBP, for the E-SAVE program.

PG&E compared a rough estimate of the E-SAVE program cost ($0.55 / kWh) to the avoided cost benchmark proxies offered in the November 13, 2002 ACR in R. 02-06-001 and determined that the E-SAVE program is within the acceptable boundary.

Lastly, PG&E agrees with ORA that customers should not receive incentives from multiple programs in load reduction. If there are overlaps with other demand response programs, customers can only participate in one.

## DISCUSSION

Energy Division has reviewed PG&E's AL and was guided by the June 4, 2004 ACR in its review. PG&E acknowledges in its AL that the proposed programs do not meet the criteria set forth in the ACR, but the acceleration of the programs proposed for 2005 will help alleviate concerns of supply shortages in 2004. Also PG&E currently does not offer the types of programs specifically mentioned in the ACR, but believes the proposed programs will be beneficial. Given the circumstances, Energy Division is recommending the adoption of the two proposed programs, based on the following reasons.

**PG&E's proposed programs can be implemented immediately.**
PG&E states in its AL that implementation of the new programs will begin immediately upon Commission approval.

Since the E-SAVE program does not require the customer to sign up in order to participate, implementation can be executed in a timely manner. PG&E proposes that the program be implemented beginning July 1, 2004. The program is available to PG&E bundled customers with demands greater than 200 kW. An interval meter is required in order for the customer to participate.

PG&E proposes a number of strategies in creating the "Power Down" program. The program is proposed to follow the model of the "Spare the Air" campaign and will be conducted in conjunction with Flex Your Power. Other methods such as providing media packets and issuing press releases are proposed. Given that the concept behind the program is not completely novel, implementation can commence immediately.

**PG&E's proposed programs are expected to reduce peak demand.**
The estimated peak demand reduction under E-SAVE program is 20 megawatt (MW) or greater. For customers wishing to participate and currently without interval meters, PG&E proposes to provide the meter at no cost to the customer and to book the meter to the cost of the program. PG&E estimates the program to cost about $220,000 for 2004 ($80,000 in customer incentive credits and $140,000 in incremental administrative costs).

PG&E is requesting $2 million for the "Power Down" program, to work with Flex Your Power and the Energy Coalition. The program will encourage customers to reduce energy consumption during critical summer peak periods.

**PG&E proposes to recover incremental costs through an existing memorandum account set up for demand response programs.**
PG&E proposes that the incremental Operating and Maintenance (O&M) and Administrative and General (A&G) costs associated with implementing the two new programs to be recorded and recovered through PG&E's Advanced Metering and Demand Response Account (AMDRA) mechanism. The AMDRA was established in Decision (D.) 03-03-036.

To fund the two proposed programs, PG&E seeks approval to reallocate, as needed, unspent funds that are currently associated with other large customer programs in R.02-06-001. The funding covers the following costs: Incremental Program and Administration Costs, Transitional "Technical" and Operational Incentives Costs and Capital Costs (as appropriate) for PG&E's Critical Peak Pricing, Demand Bid and CPA Demand Response Programs. PG&E anticipates the level of unspent funds through 2004 to be approximately $6 million.

PG&E previously requested for the reallocation of funding in its April 1 Filing.

PG&E also proposes to account for revenue shortfalls associated with rebating customers in PG&E's Utility Generation Balancing Account (UGBA). Any capital costs related to the provision of interval meters and communications equipment to customers will be recorded in the AMDRA. PG&E proposes a monthly debit entry.

**In order to achieve expeditious implementation, ORA's protest should be rejected.**

We agree with PG&E that, because of technical limitations, it is best to restrict the E-SAVE to C&I customers for now. We may revisit this issue if and when PG&E's technical capabilities change to allow the participation of TOU customers. Since PG&E already utilizes its own price forecasting for the DBP, we recommend that PG&E extend the use of this information to the E-SAVE program. Although PG&E offers only a rough estimate to the E-SAVE program costs, it demonstrates that the program is worthwhile to pursue for this summer in an effort to reduce load during peak periods. Lastly, PG&E does not disagree with ORA that customers should only be allowed to participate in and receive incentives for one demand response program. Energy Division recommends that ORA's protest be rejected to allow the expeditious implementation of the proposed programs.

**PG&E's new programs shall be included in the scope of study for 2004 program evaluations.**

Just as current demand response programs are subject to monitoring and evaluation (M&E), the two new programs proposed by PG&E shall be treated the same. Energy Division directs the Working Group (WG) 2 M&E consultant to include E-SAVE and "Power Down" in the scope of study for program evaluations this year.

## COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(3) provides that this 30-day period may be reduced/waived by Commission adopted rule.

The 30-day comment period has been reduced by a decision where the Commission has determined that public necessity, as defined in Rule 77.7(f)(9), requires reduction/waiver of the 30-day period.

In the June 4, 2004 ACR, it was ruled that the "comment period of the draft advice letter may be shortened by Energy Division, as needed, to expedite Commission action on the advice letters." Therefore, comments shall be filed by July 1, 2004 and reply comments by 2:00pm PST on July 6, 2004.

## FINDINGS

1. The Assigned Commissioner in R.02-06-001 issued a ruling on June 4, 2004, inviting the utilities to file Advice Letters to implement programs to achieve demand response through Advanced Load Control and expansion of Smart Thermostat programs.

2. PG&E filed AL 2523-E on June 14, 2004, requesting Commission approval of two new programs to achieve demand reduction during the summer of 2004.

3. PG&E requests Commission approval for the implementation of Electric Rate Schedule E-SAVE and "Power Down".

4. PG&E originally proposed these two programs in its April 1, 2004 filing Plan of Pacific Gas and Electric Company Regarding Modifications to Demand Response Programs for 2004 and New Programs for 2005.

5. PG&E estimates the peak demand reduction under the E-SAVE program to be 20 megawatts (MW) or greater.

6. Operating, maintenance, administrative and capital costs of the programs will be recovered through the AMDRA, PG&E's existing memorandum account for demand response programs.

7. Revenue shortfalls associated with rebating the customers for the E-SAVE program would be accounted for in PG&E's Utility Generating Balancing Account (UGBA).

8. PG&E's AL 2523-E was timely protested by the Office of Ratepayer Advocates (ORA) on June 24, 2004.

9. ORA's protest is rejected because we seek expeditious implementation of the proposed programs. C&I customers currently have the equipment that have the technical capabilities to allow immediate participation in the E-SAVE program.

10. E-SAVE and "Power Down" shall be subject to the same monitoring and evaluation as other existing demand response programs.

**THEREFORE IT IS ORDERED THAT:**

1. PG&E's request for Commission authorization of two new programs to achieve demand reduction during the summer of 2004 as requested in Advice Letter AL 2523-E is approved.

2. ORA's protest is rejected.

3. E-SAVE and "Power Down" will be included in the WG2 M&E consultant's scope of study in program evaluations this year.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director